Annual Report

1983

ALGOMA STEEL

Highlights

Tons and dollars in millions except per share data	1983	1982
Shipments of steel products (tons)	1.757	1.472
Sales	$ 859.5	$ 874.2
Cash provided from (used for) operations	$ (56.7)	$ 59.6
Depreciation and amortization	$ 55.4	$ 53.5
Earnings before income taxes and equity in earnings of AMCA International Limited	$ (186.4)	$(123.8)
Net earnings (loss)	$ (126.6)	$ (40.4)
– from integrated steel operations	$ (106.9)	$ (66.1)
– from AMCA International Limited	$ (19.7)	$ 25.7
Per common share		
Net earnings (loss)	$ (9.65)	$ (3.72)
Dividends paid in cash	$ —	$ 1.00
Book value	$ 47.39	$ 57.19
Long term debt as a percent of capitalization	38%	35%
Return on average total investment	(5.7)%	(0.9)%
Return on common shareholders' equity	(18.4)%	(6.2)%
Utilization of raw steel production capability	64%	53%
Closing market price		
– 8% tax deferred preference share	$ 24.50	$ 19.00
– common share	$ 28.25	$ 24.75

Annual Meeting

The Annual and Special Meeting of Shareholders will be held at the Algoma Steel Club, 89 Foster Drive, Sault Ste. Marie, Ontario, Tuesday, April 17, 1984 at 2:15 p.m. Eastern Standard Time. Notice of Meeting, a Management Information Circular and Proxy will be mailed separately to each Shareholder.

Les actionnaires qui désirent recevoir ce rapport en français sont priés d'en faire la demande au Secrétaire, Aciers Algoma Limitée, Sault-Sainte Marie, Ontario.

Executive Offices

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Sault Ste. Marie, Ontario
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Report to Shareholders

The very difficult year faced by the Corporation and by most Western World integrated steel producers resulted in a 1983 net loss of $127 million. The loss per common share was $9.65, compared with a loss of $3.72 per share in 1982, the first non-profit year since Algoma reorganized in the mid-1930's.

The $107 million net loss from integrated steel operations came directly from the recession related drop in demand for Algoma's steel products and from excess world steel supply which depressed prices. AMCA International Limited, in which Algoma has a 34.6 percent equity interest, experienced its first loss in 23 years and Algoma's equity share of that loss was $20 million. The AMCA loss included U.S. $34 million in losses and write-offs from discontinued businesses, of which Algoma's share was Canadian $14 million.

Consolidated sales of $860 million were approximately 2 percent lower than in 1982, despite a 19 percent increase in the tonnage of steel shipped. Selling price erosion, the sale of semi-finished products, and customer orders directed towards the lower priced end of Algoma's product range reduced the average unit sales return.

In response to the very unsatisfactory results, attention was focused on increased sales initiative, product and facility rationalization, cost reduction, cash conservation, improvement in financial position and medium to long range planning. The objective in each case was to work through the difficult short term problems without impairing the Corporation's long term potential.

The increased sales initiative included restructuring of the sales organization and new emphasis on the team involvement of manufacturing, quality control and sales personnel to increase understanding of customer needs and obtain orders in highly competitive situations. An agreement negotiated with Sonco Steel Tube Limited and its parent, Jannock Limited, provided the Corporation with a captive and growing outlet for its wide strip mill products and an option to acquire ownership of Sonco.

Facility and product rationalization resulted in permanent closure of the bar and strip mill, the ball mill and the merchant mill. The production of merchant pig iron was also discontinued. The facilities that were closed are no longer competitive and their replacement was not included in the Corporation's long range plans.

Cost reduction was a prime focus and substantial cost savings were achieved in mining and manufacturing operations and in staff departments. Production schedules were revised and adjusted to match changing demands and react to required short lead times as efficiently as practical. Raw steel production rose from about 50 percent of capacity in the early part of the year to approximately 75 percent at year end. Although some increase in work force was necessary to meet the higher levels of activity, the overall reduction from previous peak levels of employment remained at approximately 33 percent. The drive for even greater efficiency and cost competitiveness will be continued and intensified during 1984.

Cash conservation was achieved through semi-finished and offshore sales, elimination of common share cash dividends, inventory reduction, omission or deferral of salary increases, tight control on spending and a very restricted capital program. Capital spending totalled only $32 million, compared with $185 million and $265 million in the prior two years. Funds were directed to projects essential to continuing operations, projects which had a short term payback or where expenditures had previously been committed.

The need to strengthen the Corporation's financial position prompted the issue of $95 million redeemable convertible preference shares authorized at a special shareholders' meeting on November 30, 1983. As a result of the issue, Canadian Pacific Enterprises would be reduced from 61.2 percent to 50.2 percent ownership of Algoma's outstanding common shares on a fully diluted basis. Unused lines of credit at year end were over $360 million, providing ample protection against anticipated borrowing needs.

The uncertainty of growth in future steel demand and the availability of low priced imports from offshore producers forced reassessment of Algoma's previous plans for additional steelmaking capacity. Cost competitiveness and product quality have taken priority over the need to provide higher production capability. Critical customer specifications, improved world quality standards and the need for lower production costs will require an increasing proportion of continuously cast and higher purity steel. Studies are in progress to determine the most advantageous and lowest capital cost arrangement of steelmaking and continuous casting facilities to ensure efficient supply of high quality semi-finished products best suited for further processing into finished rolled steel.

Difficult and changing situations are being faced by steel companies everywhere in the Western World. Excess capacity and reduced demand have forced many industrialized countries to decrease production through curtailment of operations or complete shutdown of plants and facilities. Financial losses and reduced employment have led to protectionism which is threatening to increase, particularly in Europe and in the United States where specific action has been initiated to seek steel import quotas. The Corporation is working to ensure recognition of the unique Canadian position and avoid imposition of United States quotas that could jeopardize the important raw material and steel trade relationship which has historically been beneficial to both countries.

Canadian steel companies, including Algoma, have looked to fair trade laws to protect against the dumping of foreign steel into the Canadian marketplace. We have recently been successful in obtaining favourable rulings against wide flange shapes imported from three countries and plate imported from eleven countries. Increasing competition in the past two years from foreign offshore countries has demonstrated that Canadian steelmakers are competing in a world industry where government owned or highly subsidized modern plants are using world class technology to produce a wide range of high quality rolled steel products. Their competitive advantage is further enhanced by low labour costs and favourable exchange rates.

Algoma jobs can only be protected from domestic and international competition through a sustained and effective team effort to continuously reduce production costs and improve product quality. Communication programs have been intensified to assure complete understanding of that message by every Algoma employee.

We believe that 1984 will show gradual but steady continuation of the recovery which began in 1983. The automotive led strength in sheet and strip markets is forecast to continue and markets for all of Algoma's other products are expected to strengthen gradually as the year progresses. Low steel prices will be an ongoing problem that will restrict the rate of profit recovery.

Resumption of capital spending is difficult in this period of depressed earnings but investment in modern equipment and new technology must resume if Algoma is to maintain and enhance its competitive strength. Capital will be allocated in 1984 to upgrade steelmaking and improve the quality of continuously cast rail and tube round blooms. Plans should be finalized during the year for the resumption of construction on the new seamless tube mill and for a major step forward in increasing the Corporation's continuous casting capability.

Robert D. Armstrong and W. John Stenason resigned from the Board of Directors during 1983 after 7 and 10 years, respectively, of valuable contribution which is gratefully acknowledged. Adam H. Zimmerman and Stuart E. Eagles joined the Board during the year.

Patrick L. Rooney, Senior Vice President – Operations, and Donald L. McEachern, Vice President – Sales, retired in 1983. Mr. Rooney served the Corporation with dedication over 26 years and Mr. McEachern was a respected sales executive with over 40 years of service. Gary S. Lucenti was appointed Vice President – Operations in November, 1983 and Henry C. Winters was appointed Vice President – Sales in December, 1983.

The serious difficulties of 1983 demanded exceptional effort and understanding by all of our employees. On behalf of the Board of Directors and the shareholders, we hereby recognize the important employee contribution in identifying and implementing the many improvement programs which have assisted our company through this difficult period and are so essential to our future viability. We also acknowledge and welcome the increased understanding by federal and provincial governments of the difficult challenges facing Canadian steel producers and the need to be supportive of this important industry.

We are not yet through the unique problems that originated with the severe 1982-83 North American and world recession. The continued support of customers, suppliers and shareholders and an even more dedicated effort by all Algoma employees will be necessary to return the Corporation to a profitable position. However, with sustained economic recovery, 1984 can be a turnaround year during which we will again move towards the profitability which must form the cornerstone of our future growth and security.

Chairman and Chief Executive Officer

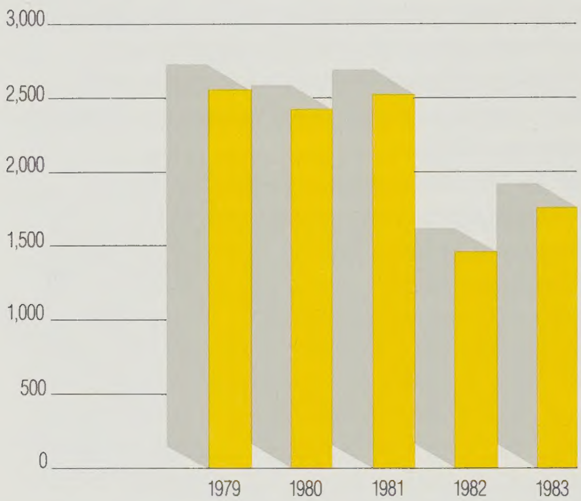
President and Chief Operating Officer

Sault Ste. Marie, Ontario
February 9, 1984

Marketing and Sales

Sales of $860 million in 1983 were approximately 2 percent lower than 1982 despite a 19 percent increase in total shipments of steel products. Steel prices were depressed throughout the year and were generally unchanged or lower than prices in late 1981. Increased volume came primarily from the shipment of semi-finished products at low margins. Unsatisfactory markets

Algoma's Steel Product Shipments
(thousands of tons)

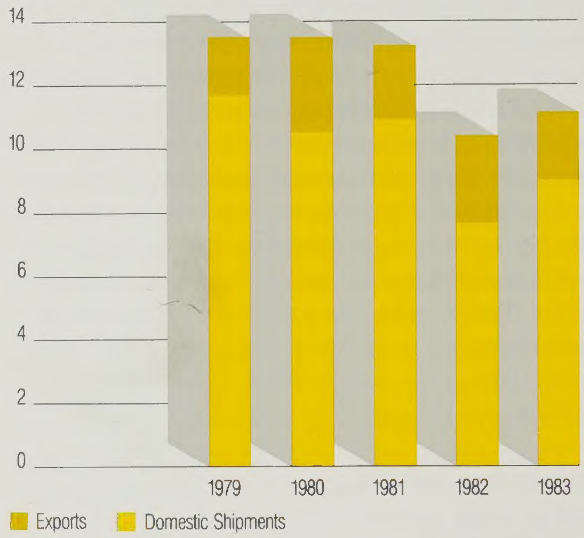


for the majority of Algoma's products reflected the sustained low level of North American economic activity in the energy and capital spending sectors and the excess customer inventories which restricted orders through most of the year. Severe price pressure resulted from offshore imports into both the Canadian and United States markets.

The permanent closure of three rolling mills and the decision to discontinue production of merchant pig iron will enable Algoma to concentrate on plate, sheet and strip, rail, wide flange shape and tubular products. These product lines will be retained throughout the 1980's, although the range of tubular products will be enhanced and expanded when the new seamless tube mill commences operation.

Plate sales in 1983 were depressed by the low level of North American capital spending although orders gradually improved as customers worked down surplus inventory. The United States market was almost inaccessible because of extreme price discounting by competitors and the reduced requirements of Algoma's traditional customers. Sales improved to Canadian steel service centres and there was a significant gain in sales of special plate to the automotive market resulting from Algoma's recently developed formable plate for axle housing end use. The new line of quenched and tempered plate, including a new abrasion resistant grade AR 425, gained increased recognition of Algoma as an integrated supplier of premium plate products. Plate supplied for offshore drilling rigs, other energy related projects and ships reflected the aggressive

Canadian Steel Markets:
Domestic Shipments and Exports
(millions of tons)



Source: Statistics Canada

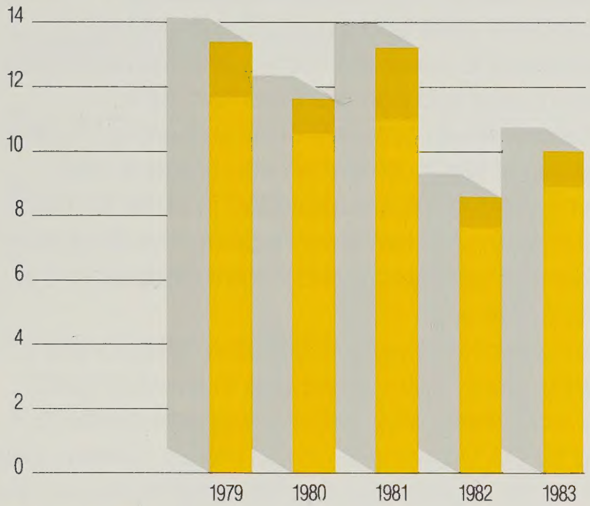
efforts to develop high strength steels and design technology, particularly relating to Arctic and offshore energy applications.

As part of this product development program, Algoma participated in the formation of the Centre for Frontier Engineering Research in Edmonton, Alberta. The need for a co-ordinated Canadian research approach to design and fabrication in extreme climatic conditions was recognized by Algoma some years ago. Through discussion between universities, industry and government and support of the Devonian Group of Calgary, the new Frontier Centre has been established to develop materials technology which will satisfy the extreme Arctic and offshore conditions and provide increased opportunities for Canadian industry.

Steady improvement in demand for sheet and strip occurred during the year with the automotive industry providing the primary sales impetus. Price levels, however, remained under severe downward pressure through most of the year. The agreement with Sonco Steel Tube Limited provides Algoma with important access for captive hot and cold rolled sheet sales to the hollow structural and welded pipe industry.

Rail sales in 1983 were reduced by restricted rail programs of major railway customers and by severe price competition from both offshore and domestic competitors. Re-examination of future customer requirements prompted an Algoma research program to develop a superior quality heat treated rail. Research results to date have been encouraging and limited production trials of the patented process will begin in early 1984.

Canadian Steel Consumption:
Domestic Shipments and Imports
(millions of tons)



Source: Statistics Canada

The collapse in North American capital spending had a very negative impact on Algoma's sale of structural shapes. Wide flange beam sales remained at low levels throughout the year although some improvement was evident towards year end as customer inventories were reduced.

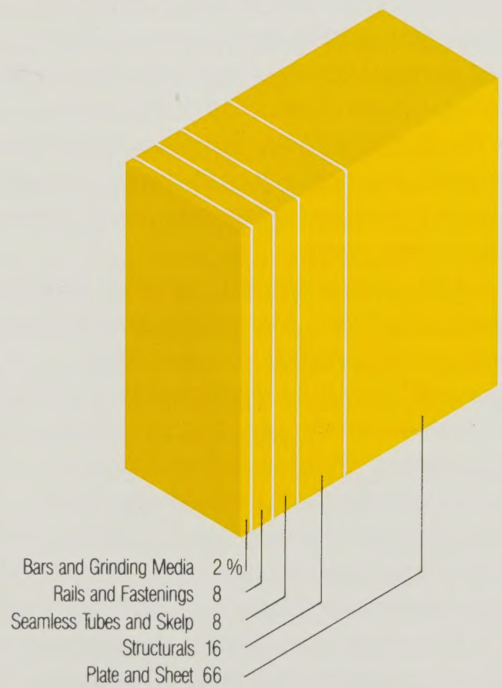
The precipitous decline in demand for seamless tubulars which began in early 1982 continued throughout most of 1983 and there was severe price competition. Although North American drilling activity continued to improve as the year progressed, offshore imports and excess tubular inventory drastically reduced the need for direct North American steel mill supply. However, there was a gradual increase in mill supply toward year end, particularly for low strength grades destined for shallow oil wells. The demand for high strength tubulars used in deep gas wells remained depressed and is likely to continue at low levels in 1984 or until gas consumption increases and shut-in capacity is utilized.

The high tonnage of low priced offshore steel imported into North America seriously impaired Algoma's ability to sell into its traditional markets. Anti-dumping actions on steel plate and wide flange shapes were successfully concluded when the Anti-dumping Tribunal ruled against three countries on the dumping of wide flange shapes and against eleven countries on the dumping of plate. It is the Corporation's intention to take action whenever it is perceived that any steel products are being unfairly imported into Canada at subsidized costs or dumped prices in a manner judged to be injurious to Algoma.

The outlook for 1984 is for improved shipments in all of Algoma's product lines. The automotive industry is expected to remain strong as will demand for Algoma's sheet and strip products. Improved business spending and limited inventory rebuilding are expected to assist sales of plate and wide flange shapes, despite only limited improvement in building activity. Investment in oil and gas exploration should continue to grow with resultant improvement in demand for Algoma's tubular products. Some improvement in domestic rail demand is anticipated although export markets are expected to remain weak.

The insistence by customers on superior service and quality is expected to intensify in 1984 and continue into the future. The proven ability to control quality consistently within identified statistical levels will be an ongoing requirement for Algoma to be a competitive supplier in the 1980's.

Algoma's Finished Steel Product Shipments
by Product Classification, 1983



Raw Materials

North American raw material production capacity again substantially exceeded demand for both iron ore and metallurgical coal. Extended shutdowns were necessary at the Algoma Ore Division, the Tilden Mine and at Cannelton's coal mining operations, despite increased iron ore and metallurgical coal deliveries to the Steelworks of 3.3 million gross tons and 1.9 million tons, respectively, compared with 2.3 million gross tons and 1.1 million tons in 1982.

Sinter production at the Algoma Ore Division was 1.22 million gross tons compared with 871,000 gross tons in 1982. Sinter quality was improved through the addition of mill scale recycled from the Steelworks. The Stage III ore reserves in the MacLeod Mine were depleted during the year with the last ore being hoisted in December. Stage IV reserves will be utilized to meet future ore demands. Higher productivity and cost improvement achieved through force reduction, worksharing and inventory control were effective in controlling 1983 sinter costs. The MacLeod Mine productivity per man shift was the highest ever achieved, even though production averaged only 60 percent of capacity.

Pellet production at the Tilden Mine in Michigan was 4.33 million gross tons or 54 percent of capacity, up 16 percent from 1982. The mine was shut down during July and for three weeks in November to control production. Cost, productivity and quality improvements were achieved during 1983 and field tests began on a new filtering system that could substantially reduce Tilden pellet costs. Tentative agreement was reached on a procedure to permit flexibility in the tonnage that must be taken by each Tilden participant in any year.

Coal mining operations at Cannelton Industries, Inc. and its subsidiary, Maple Meadow Mining Company, were curtailed in early 1983. Operations at the Maple Meadow Mine and the Indian Creek mines did not resume until March 1 after a five month shutdown due to lack of demand for metallurgical coal. Mining at the Kanawha Division was restricted to steam coal production. Total metallurgical coal production of 1.97 million tons was above the 1982 production level of 1.72 million tons. Sale of metallurgical coal to third parties totalled 508,000 tons compared with 537,000 tons in 1982.

Steam coal shipments from the Kanawha mines totalled 544,000 tons compared with 755,000 tons in 1982. The reduced sales reflect decreased power demand from Cannelton's utility company customers and excess steam coal availability at low prices.

The favourable cost trends that began at Cannelton in 1982 continued in 1983 and average metallurgical coal production cost was lower than at any time in the last five years. Productivity records were established at almost all mining operations and there was a parallel overall improvement in safety.

Raw material oversupply will continue throughout 1984 and every effort must be maintained to lower the mining and transportation costs of coal and iron ore to remain fully competitive with alternate supply sources. Further closures of North American iron ore and coal mining operations are expected in order to match the reductions in raw steel capacity resulting from actual and announced steel plant closures in the United States.

Arrangements were finalized in 1983 for an independent mining company to conduct gold and base metal exploration programs on lands held by the Corporation in the Wawa, Ontario area and on lands held by a company controlled by the Corporation in the same area. Preliminary work has verified the existence of gold occurrences on the properties but no economic deposit has yet been discovered.

Manufacturing

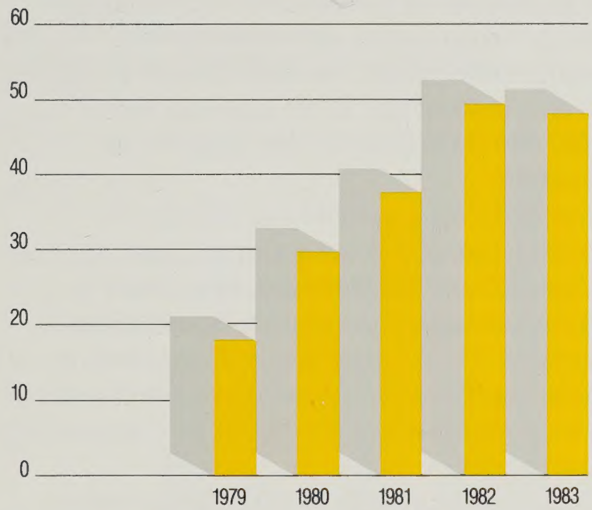
Major operating objectives in 1983 were increased customer service, cost reduction and improved quality. The complexity of Algoma's manufacturing operations caused difficulty in achieving efficiency improvement at the low levels of operations, but major gains were nevertheless made during the year. The stringent customer quality demands required greater manufacturing precision, particularly in steelmaking operations.

Raw steel production at 2.3 million tons was up 21 percent from 1982 but well below the record 3.5 million tons produced in 1979. Cokemaking and ironmaking operations were controlled to match raw steel production. Continuously cast steel totalled 1.1 million tons or 48 percent of total raw steel produced. The slab caster achieved monthly tonnages that demonstrated its capability to produce in excess of the one million ton annual design capacity. Continuously cast bloom and beam blank tonnages were below prior years due to reduced demand for rails, structurals and seamless tubulars.

Raw steel quality was improved through the adaptation of new steelmaking and continuous casting techniques. Expenditures are underway in both No. 1 and No. 2 basic oxygen steelmaking shops to improve steel cleanliness and trials are in progress to improve the quality of continuously cast blooms for rail and tubular production.

Rolling mill operations were effectively rationalized through closure of the bar and strip mill in April, the ball mill in September and the merchant mill in October. Discontinuance of products rolled by these mills, as well as the cessation of pig iron production, will simplify Algoma's operations, reduce semi-finished and finished steel inventories and improve efficiency throughout the remaining rolling mill operations.

Percentage of Raw Steel Continuously Cast



Completion of the new slab reheat furnace and the 106″ strip mill coil box provided potential for improved production, yield and hot rolled coil quality. Plate from the new heat treating facility has now been fully accepted in the marketplace and expected increased demand will permit higher levels of operation.

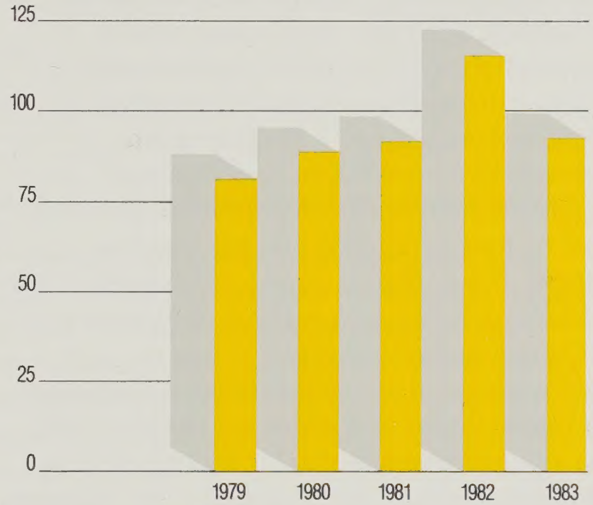
Seamless tubular quality standards were again tightened during 1983 and new product properties and inspection procedures were required to meet demands for Canadian offshore drilling and other difficult applications. New seamless tubular inspection equipment commenced operation in 1983, substantially improving the inspection capability on heat treated product. Additional ultrasonic inspection equipment will be installed in 1984 to ensure further adherence to critical customer specifications. New world class threading equipment has been purchased and will be installed in 1984 to meet demanding requirements for tubular thread quality.

Capital spending in manufacturing operations was restricted to $25 million. Equipment deliveries continued for the new seamless tube mill on which construction was suspended in fourth quarter 1982, but field work did not recommence. Most of the capital spent in 1983 was against previous commitments or for projects that had a short term payback.

Discussions with government officials resulted in an extension of completion dates for major outstanding items in the Ontario Ministry of the Environment 1982 control order. These extensions recognized the reduced emissions resulting from lower production levels as well as the economic realities faced by the Corporation. Water sprays were installed on two batteries to control particulate emissions during the pushing of coke ovens.

Index of Man Hours Per Ton of Finished Steel Product

1972 = 100



The manufacturing organization was streamlined and there is potential for further rationalization of the organization structure to improve communication and sharpen the focus on individual responsibility. The requirement for improved productivity of hourly, supervisory and staff personnel has resulted in a permanent reduction in the number of people required for various levels of operation.

The need for improvement in on-time delivery to customers prompted the creation of a Business Improvement Group of senior Algoma managers. The objective of this group is to identify and implement programs that will substantially improve quality and delivery reliability for both the short and long term. Quality, service and low cost must become a way of life for every employee in the 1980's.

Employee Relations

The employee relations challenge that came with decreased production and mill closures was a corporate requirement to reduce hourly and salary personnel in all areas without impairing productivity or employee morale. Reductions of up to one-third from previous peak employment levels were achieved and although there was employee concern, productivity improved significantly from 1982 levels. There was a further decline in lost time injuries despite the employee dislocation that resulted from reduced operations.

The challenge for 1984 will be to negotiate agreements with union employees prior to expiration of Canadian labour agreements on July 31 and the United States coal mining agreement on October 1. Programs are underway to communicate to all Algoma employees the difficult competitive environment faced by the Corporation and the need for restraint. The control of wages and benefits will be a requirement for future success of Algoma and the Canadian steel industry.

Employment of hourly personnel at Canadian and United States operations increased in 1983 from the depressed levels of 1982 but remained well below the high 1981 numbers. The high level of hourly and salary retirements that began in 1982 continued in 1983.

The worksharing program introduced for Canadian staff and supervisory employees in October, 1982 was extended to mid-1983, the maximum term permitted. Following conclusion of the program, depressed demand for the Corporation's products led to the unavoidable layoff of 220 salaried employees.

The successful joint health and safety program, implemented at the Steelworks in co-operation with Algoma's unions and the Ministry of Labour, was extended to the Tube Division during 1983. The program has continued to be effective in reducing the frequency and severity of Steelworks' injuries and it is expected that similar improvements will be achieved at the Tube Division. Algoma's program has been cited as a classic example of union/management co-operation that goes far beyond compliance with the law and exemplifies the true spirit of the health and safety legislation.

Communication with all employees and with elected union officials was intensified during 1983 to increase understanding of the economic and competitive challenges facing the Corporation and its employees. Departmental meetings and a video taped message from the President were used to inform all union and management employees of the changes that have taken place in the world steel industry and their impact on Algoma.

The financial losses experienced by the Corporation forced a reduction in donation, recreational and training programs. However, special training was arranged for laid off apprentices, taking full advantage of government grants for that purpose. Unused plant facilities were made available for a total of 130 apprentices and tradesmen who were able to continue their training in a simulated work environment co-ordinated through the Sault College of Applied Arts and Technology. Other qualified laid off employees participated in the program as instructors.

Scholastic achievement was recognized through a reduced program which awarded four Sir James Dunn Scholarships, nine David S. Holbrook Scholarships and six Algoma Steel Bursaries. The Scholarships assist students to achieve a university education and the Bursaries are for students attending a college of applied arts and technology.

The Sault Ste. Marie United Way Campaign directed by Robert A. Turpin, Algoma's Superintendent – Transportation, exceeded its objective despite the recession and economic uncertainties. Algoma employees and retirees from both union and management ranks played key roles in the campaign and contributed well over half the amount given by individuals in Sault Ste. Marie.

The table below illustrates the principal employment cost elements for 1983 and comparative data for 1982.

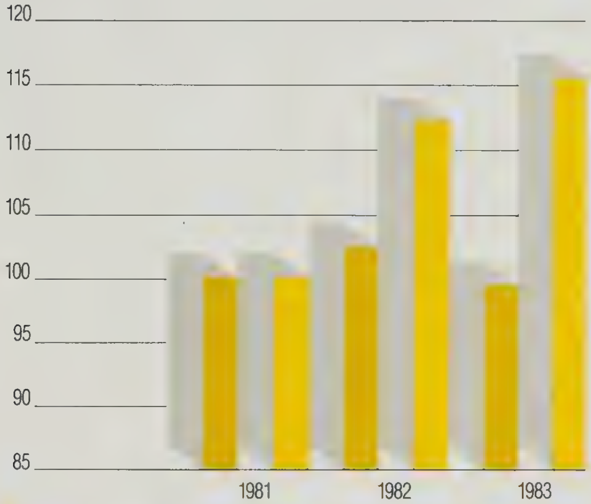
Millions of Dollars	1983	1982
Wages and Salaries		
for time worked	**$245**	$279
for vacation and statutory holidays	**34**	35
Supplementary Employment Costs		
company pension plans	**39**	41
group insurance plans and other benefits	**25**	28
unemployment insurance	**5**	4
worker's compensation	**8**	9
Total	**$356**	$396

Finance

The net loss of $127 million for 1983 was $86 million higher than the previous year. Net loss applicable to common shareholders was $137 million, or $9.65 per share, compared with a loss of $53 million, or $3.72 per share, in 1982. Until 1982, Algoma had not reported a net loss since the 1930's.

Competition, primarily from imports, forced steel product prices down to 1981 levels whereas the composite index of prices paid for labour, materials and services increased approximately 15 percent from 1981.

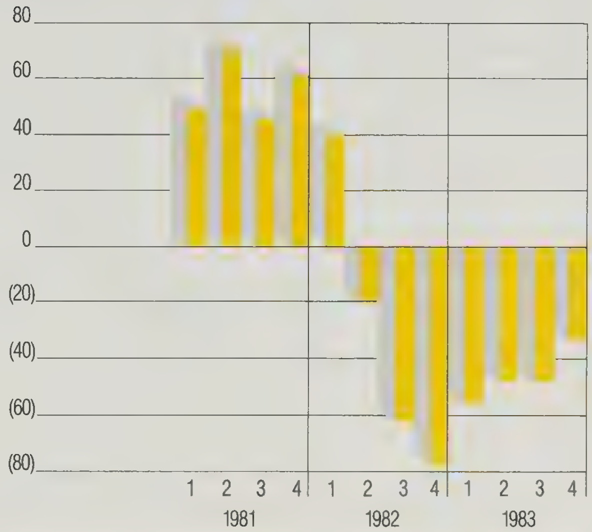
Sales Return Index Compared with Combined Labour, Materials and Service Price Index
1981 = 100



Significant production cost improvements were achieved in mining and manufacturing operations. Abnormally low sales demand resulted in selective shutdowns of mining and manufacturing facilities for varying periods and the related shutdown expenses increased the reported loss. The permanent closure of three steel processing mills during the year did not have a significant effect on earnings since the mills were almost fully depreciated.

The following graph illustrates the sharp decline in quarterly pre-tax earnings during 1982 and the slow recovery experienced during 1983.

Quarterly Pre-Tax Earnings (Loss)
(millions of dollars)



The decreasing loss from integrated steel operations during the year reflected the impact of cost control measures and a moderate improvement in market demand. Although net losses were recorded in all quarters, there was a positive gross operating margin on sales in the fourth quarter, the first since the second quarter of 1982.

AMCA International Limited, which also serves capital markets, sustained a loss in 1983. Algoma's 34.6 percent share of this loss amounted to $20 million compared to a profit of $26 million in the previous year. Algoma's share of the AMCA loss included $4 million from balance sheet translations and $14 million from losses and write-offs relating to discontinued businesses.

Equity Earnings (Loss) in AMCA

Quarter Millions of Dollars	**1983**	1982	1981
1	**$ .7**	$10.6	$ 7.1
2	**(3.6)**	15.7	8.4
3	**(5.6)**	(1.4)	6.3
4	**(11.2)**	.8	5.0
	$(19.7)	$25.7	$26.8

Throughout the year, cash conservation was a priority. Actions taken included inventory reductions, curtailment of capital spending, the layoff of hourly and salaried personnel, lowering of fixed costs and the elimination of common

share cash dividend payments. Notwithstanding these actions, there was a cash shortfall which was financed through $56 million of borrowings under the Corporation's various lines of credit and a $95 million issue of redeemable convertible preference shares. Algoma's unused lines of credit totalled $360 million at year end. Long term debt of $534 million at December 31, 1983 represented 37.9 percent of capitalization compared with 34.6 percent a year ago. Debt interest cost of $64 million in 1983 was $22 million greater than experienced in 1982.

Working capital of $320 million at year end was essentially unchanged from year end 1982. A concerted effort on inventory reduction released $25 million of cash, but this was offset by increased accounts receivable due to higher sales volume in the last few months of the year compared with the similar period in 1982. The ratio of current assets to current liabilities was 2.6 to 1 at year end.

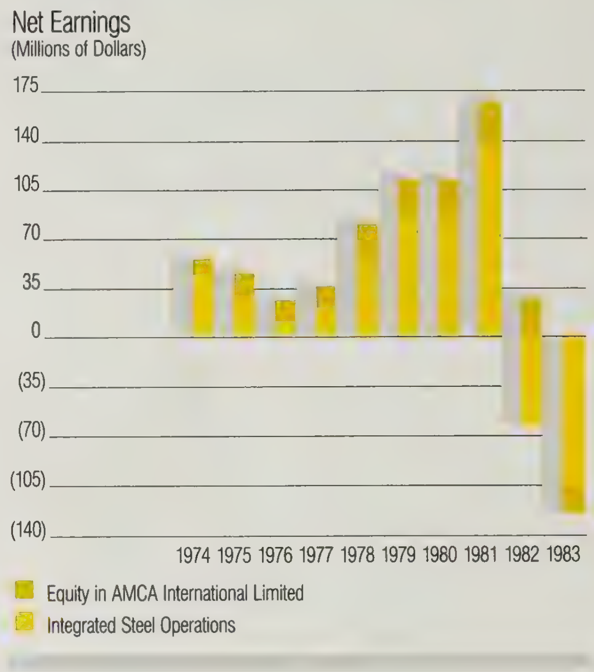
Capital spending was reduced to $32 million compared with $185 million in the previous year. Estimated expenditures to complete projects authorized by the Board of Directors and committed by the Corporation amounted to $72 million at year end, virtually all in respect of a new coke oven battery, construction of which has been deferred. A further $202 million of authorized capital expenditures have not yet been committed.

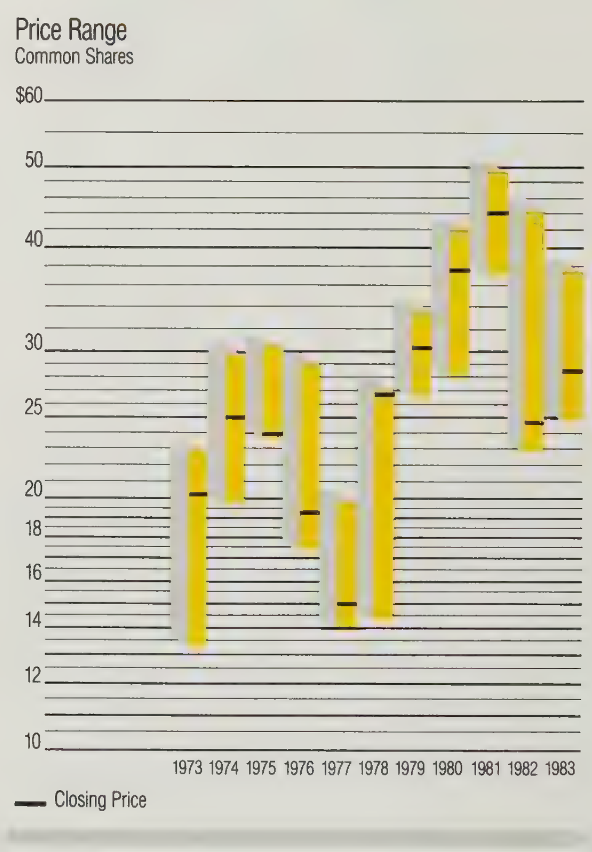
Dividends paid to preference shareholders during the year amounted to $10 million. There were no common share cash dividends paid in 1983, although a stock dividend equivalent to $0.3025 per common share was paid in the fourth quarter. Common share cash dividends paid during 1982 totalled $1.00 per share.

The following table shows the quarterly highs and lows for common shares traded on the Toronto Stock Exchange during the year.

Quarter	High	Low
1	$33 1/2	$24 3/4
2	33	28 1/4
3	37 5/8	28 3/4
4	32	25 3/8

In 1983 the Corporation adopted the cash concept for reporting changes in financial position as shown on page 15. This change in format presents the effects of operating, investment and financing activities on the Corporation's cash and loan positions. The information for 1982 has been reclassified to conform with the current year's presentation.





Management's Responsibility for Financial Statements

The consolidated financial statements of The Algoma Steel Corporation, Limited have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with the prior year and necessarily include some amounts based upon management's estimates and judgements. Algoma's management is responsible to ensure that these statements reasonably reflect the Corporation's business transactions and financial position.

The integrity and reliability of Algoma's reporting systems is achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. Internal accounting controls are continually monitored by an internal audit staff through ongoing reviews and comprehensive audit programs. Algoma's Code of Business Conduct policy, which is regularly communicated to all levels in the organization, requires employees to maintain high ethical standards in their conduct of the Corporation's affairs.

Peat, Marwick, Mitchell & Co., Chartered Accountants, the shareholders' auditors, have performed an independent examination and attested to the fairness of presentation of financial data contained in these statements in accordance with generally accepted accounting principles. Their examination was made in accordance with generally accepted auditing standards and accordingly included an evaluation of the Corporation's system of internal control to determine audit scope and such tests of the accounting systems and records and other audit procedures as they deemed necessary. Their report appears below.

The Board of Directors annually appoints an Audit Committee comprised solely of directors who are not employees of the Corporation or of companies related to the Corporation. This Committee meets regularly with management, the internal auditor and the shareholders' auditors to review significant accounting, reporting and internal control matters. Both the internal and shareholders' auditors have unrestricted access to the Audit Committee. Following its review of the financial statements and the report of the shareholders' auditors, the Audit Committee submits its report to the Board of Directors for formal approval of the financial statements.

L. H. Whitmore

Vice President –
Finance and Accounting

February 9, 1984

PEAT MARWICK

Auditors' Report to the Shareholders

We have examined the consolidated statement of financial position of The Algoma Steel Corporation, Limited as at December 31, 1983 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the corporation as at December 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Chartered Accountants

Sault Ste. Marie, Canada
February 9, 1984

Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiary companies and inter-company transactions are eliminated. Assets, liabilities and results of operations of United States subsidiaries are included assuming $1 Canadian equal to $1 United States; if these were translated to Canadian dollar equivalents, based on practices acceptable in Canada up to December 31, 1983 which use historical rates to translate non current assets and long term liabilities, there would be no material effect on these financial statements. The investments in the associated company, AMCA International Limited, and in the cost sharing Tilden Mine joint venture producing iron ore pellets are accounted for by the equity method.

Inventories

Finished products and work in process are valued at the lower of cost and net realizable value. Raw materials and supplies are valued at the lower of cost and replacement cost.

Fixed Assets

Property, plant and equipment are recorded at cost. Expenditures for improvements and renewals which extend economic life and for mine development are capitalized. Maintenance and repairs are charged to earnings as incurred excepting expenditures for periodic relines of blast furnaces which are accrued for in advance on a unit of production basis.

Depreciation of manufacturing plant and equipment, which comprises over 80% of fixed assets, is provided using the straight-line method applied to the cost of the assets based on their estimated useful composite life of approximately 20 years and beginning when they commence operation. Plant and equipment at raw material properties and mine development costs are either depreciated on a straight-line basis at rates intended to amortize the cost of these assets over their estimated economic lives or are amortized on a unit of production basis over the estimated recoverable raw material reserves.

Interest incurred on funds borrowed to directly finance the development of new raw material properties and the construction of new manufacturing facilities is capitalized during the period of construction and initial development.

Exploration, Research and Start Up Expenses

Expenses in exploring for raw materials, investigating and holding raw material properties and costs of research and start up of new production facilities are charged to earnings as incurred.

Income Taxes

Income taxes are provided for on the deferred tax allocation basis. Since regulations in Canada and the United States permit the deduction of expenses in calculating taxable income which may not coincide with amounts recorded for financial reporting purposes, such differences, principally relating to depreciation, give rise to deferred income taxes in the financial statements.

Investment tax credits are recorded in the accounts in the year for which they are claimed for tax purposes. Since these tax credits increase taxable income of future years by lowering the value of depreciable assets for taxation purposes by the amount thereof, a portion, determined at the current tax rate, is set aside as deferred income taxes. The balance is applied to reduce income taxes charged to earnings.

Earnings and Retained Earnings

For the years ended December 31

Thousands of Dollars	1983	1982
Income		
Sales	$ 859,541	$ 874,164
Interest and other income	1,258	2,066
	860,799	876,230
Expenses		
Cost of products sold	905,584	878,425
Administrative and selling	22,503	26,132
Interest and expense on long term debt	63,446	40,245
Interest on short term loans	257	1,757
Depreciation and amortization	55,372	53,508
	1,047,162	1,000,067
Earnings (loss) before income taxes and equity earnings	(186,363)	(123,837)
Income taxes – deferred (credit)	(79,400)	(57,700)
Earnings (loss) before equity earnings	(106,963)	(66,137)
Equity in earnings (loss) of associated company (note 2)	(19,683)	25,716
Net Earnings (Loss)	$ (126,646)	$ (40,421)
Provision for dividends on preference shares	$ 10,113	$ 12,306
Net earnings (loss) applicable to common shares	$ (136,759)	$ (52,727)
Per common share	$ (9.65)	$ (3.72)*

*Restated to reflect shares issued as stock dividend in November, 1983.

	1983	1982
Retained Earnings		
Balance at beginning of year	$ 721,510	$ 788,422
Net earnings (loss)	(126,646)	(40,421)
Dividends declared (note 10)	(14,197)	(26,491)
Expenses relating to issue of preference shares, net of income taxes of $1,562	(2,080)	—
Balance at end of year	$ 578,587	$ 721,510

See summary of significant accounting policies and notes to consolidated financial statements.

Financial Position

As at December 31

Thousands of Dollars	1983	1982
Current Assets		
Cash and short term investments, at cost (approximates market)	$ 9,614	$ 20,237
Accounts receivable	154,893	97,628
Inventories (note 1)	343,439	368,285
Prepaid expenses	6,667	5,988
	514,613	492,138
Current Liabilities		
Bank overdraft	—	3,571
Accounts payable and accrued liabilities	174,031	154,137
Taxes payable	9,393	8,470
Long term debt due within one year	11,300	7,730
	194,724	173,908
Working Capital		
Current assets less current liabilities	319,889	318,230
Other Assets		
Long term investments (note 2)	205,664	242,197
Net fixed assets (note 3)	944,674	990,804
Unamortized debenture expense	3,266	3,600
	1,153,604	1,236,601
Total Investment		
Working capital plus other assets	1,473,493	1,554,831
Other Liabilities		
Long term debt (note 4)	533,814	489,584
Accrued past service pension cost	12,799	10,916
Deferred income taxes (note 5)	31,834	112,752
	578,447	613,252
Excess of total investment over other liabilities	$ 895,046	$ 941,579
Contingencies and Commitments (notes 5, 6, 7 and 8)		
Shareholders' Equity		
Capital stock (note 9)		
Preference shares	$ 222,725	$ 130,530
Common shares	93,734	89,539
Retained earnings	578,587	721,510
	$ 895,046	$ 941,579

See summary of significant accounting policies and notes to consolidated financial statements.

On behalf of the Board:

J. Mamamara
Director

W. P. McLaughlin
Director

Changes in Financial Position

For the years ended December 31

Thousands of Dollars	1983	1982
Cash Provided From (Used For)		
Operations		
Earnings (loss) from operations	$ (123,918)	$ (83,901)
Items included in earnings not resulting in an outlay of cash	79,542	75,812
Decrease (increase) in operating working capital	(12,281)	67,681
	(56,657)	59,592
Investment Activities		
Fixed assets – manufacturing plants	(25,150)	(175,485)
– raw material properties	(6,492)	(9,920)
	(31,642)	(185,405)
Long term investments	2,689	(3,598)
Dividends from associated company	14,169	14,186
Interest and other income	1,258	2,066
	(13,526)	(172,751)
Dividends	(10,002)	(26,491)
Financing Activities		
Interest on debt	(63,369)	(41,790)
Reduction of long term debt	(7,899)	—
Preference shares purchased for cancellation	(2,805)	(3,000)
Other	150	513
Additional financing		
Proceeds from issue of preference shares	91,357	—
Proceeds from long term loans	55,699	204,759
	73,133	160,482
Net Cash (Loan) Position*		
Increase (decrease) during year	(7,052)	20,832
Balance at beginning of year	16,666	(4,166)
Balance at end of year	$ 9,614	$ 16,666

*Net cash position is comprised of cash, short term investments and bank overdraft.

Changes in Operating Working Capital

	1983	1982
Decrease (increase) in accounts receivable	$ (57,265)	$ 106,366
Decrease (increase) in inventories	24,846	22,163
Decrease (increase) in prepaid expenses	(679)	351
Increase (decrease) in accounts payable and accrued liabilities	19,894	(56,643)
Increase (decrease) in taxes payable	923	(4,556)
Decrease (increase) in operating working capital	$ (12,281)	$ 67,681

See summary of significant accounting policies and notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Inventories

Thousands of Dollars	1983	1982
Finished products	**$ 87,496**	$ 73,086
Work in process	**75,447**	87,090
Raw materials and supplies	**180,496**	208,109
	$343,439	$368,285

2. Long Term Investments

Thousands of Dollars	1983	1982
Associated company	**$159,369**	$193,221
Joint venture	**44,429**	47,104
Other	**1,866**	1,872
	$205,664	$242,197

Equity in the loss of the associated company includes an exchange loss of $3.7 million in 1983 (gain of $2.0 million in 1982) arising from translation of balance sheets of the associated company's foreign subsidiaries into Canadian funds.

3. Net Fixed Assets

Thousands of Dollars	1983	1982
Property, plant and equipment:		
Manufacturing plants	**$1,389,009**	$1,364,671
Raw material properties	**216,150**	216,090
	1,605,159	1,580,761
Accumulated depreciation and amortization	**660,485**	589,957
	$ 944,674	$ 990,804

4. Long Term Debt

Thousands of Dollars	1983	1982
Debentures (a)		
7 3/8% series C maturing 1987	**$ 14,400**	$ 14,569
8 3/4% series D maturing 1991	**28,800**	28,800
10 3/8% series E maturing 1994	**41,000**	43,688
11 % series F maturing 1995	**57,600**	61,642
17 3/8% series L maturing 1997	**50,000**	50,000
Floating rate series G maturing 1999 (b)	**60,000**	60,000
Floating rate series I maturing 1994 (b)	**46,880**	46,880
Floating rate series M maturing 1990 (c)	**122,434**	122,434
9.65% note maturing 2000 (d)	**34,000**	35,000
Bankers acceptances (e)	**90,000**	–
Bank loan	**–**	4,301
Short term promissory notes	**–**	30,000
Total amount outstanding	**545,114**	497,314
Less due within one year	**11,300**	7,730
	$533,814	$489,584

Sinking fund requirements for 1984 have been partially satisfied by purchases of debentures in the open market amounting to $1.2 million. Unsatisfied sinking fund and other repayment requirements for each of the next five years, commencing in 1984, are (in millions of dollars) $11.3, $17.0, $20.4, $30.7 and $28.7.

(a) The debentures rank pari passu and are secured by a Trust Indenture containing a first floating charge on all assets of the Corporation in Ontario.

(b) Series G are income debentures and bear non-taxable interest at 1 1/8% over one-half of the prime lending rate of a Canadian chartered bank. The Corporation is permitted to convert this obligation into series H debentures bearing taxable interest which varies from 1/4% to 3/4% over the prime lending rate of the bank.

Series I are income debentures in the principal amount of $40 million payable in United States currency and bear non-taxable interest which varies from 1 1/4% to 1 1/2% over one-half of the London Interbank Offering Rate (LIBOR) or, at the option of the Corporation, from 1% to 1 1/4% over one-half of the prime lending rate of a Canadian chartered bank on United States dollar demand loans to commercial customers resident in Canada. The debentures are convertible, at the option of the Corporation, into a Canadian currency obligation bearing interest which varies from 1% to 1 1/4% over one-half of the prime lending rate of the bank. The Corporation is permitted to convert this obligation into series J debentures bearing taxable interest at various rates and, at the option of the Corporation, may be in either United States or Canadian currency. A United States currency loan would bear interest which varies from 3/4% to 1% over LIBOR or, at the option of the Corporation, from .30% to .55% over the prime lending rate of the bank on United States dollar demand loans to commercial customers resident in Canada. A Canadian currency loan would bear interest which varies from .30% to .55% over the prime lending rate of the bank.

(c) Series M debentures in the principal amount of $100 million payable in United States currency bear interest based on the London Interbank Offering Rate (LIBOR). Concurrent with this borrowing, the Corporation entered into an Exchange Agreement with a foreign financial institution thus enabling the Corporation to convert its floating rate liability into an effective annualized fixed rate obligation of 14.27%. The debentures mature in November, 1990 but are repayable prior to maturity in whole or in part at the option of the Corporation.

(d) The 9.65% note, an obligation of a United States subsidiary, is in United States currency and is repayable in annual instalments of $2.0 million.

(e) An agreement with three Canadian chartered banks provides for an aggregate borrowing of up to $250 million over a drawdown period ending December 30, 1985 to finance construction of a new seamless tube mill. The Corporation is permitted to borrow in Canadian dollars and/or United States dollars and to convert such borrowings into long term debt maturing in 1993. Accordingly, drawdowns under this line of credit totalling $90.0 million at December 31, 1983 have been classified as long term debt. These borrowings are secured by series K debentures.

5. Income Taxes

Revenue Canada has issued reassessments relating to earned depletion and 3% inventory allowances which would increase the Corporation's deferred income tax provisions for the years 1975, 1976, 1977 and 1978. The basis for the reassessments could have application to subsequent years and in the event of an adverse ruling the income tax provisions for the years 1975 to 1982 inclusive would be increased by approximately $15.5 million. Notices of Objection have been filed and representations are being made on these matters. The Corporation and its legal advisors are of the opinion that the Corporation's arguments have merit and that the prospects of successfully opposing the arguments of Revenue Canada are favourable. Accordingly, the potential increase in deferred income taxes for those years has not been provided for in the financial statements.

6. Commitments

(a) The Corporation, as a participant in the Tilden Mine joint venture, is entitled to receive its 30% share of production and is committed to pay its share of costs including minimum charges for principal and interest to cover the servicing of long term debt. The Corporation's share of such minimum charges was $20.2 million in 1983 and will average approximately $19.0 million annually during the next five years.

(b) The estimated amount required to complete approved capital projects is $274 million which includes $109 million for the construction of a new seamless tube mill and $125 million for a new coke oven battery. At December 31, 1983 contractual commitments amounted to $63 million for the coke oven battery, construction of which has been deferred, and $9 million in respect of other projects.

7. Long Term Leases

Rentals under long term leases amounted to $10.6 million in 1983. Future minimum rentals will aggregate $50.8 million and in each of the next five years will be (in millions of dollars) $8.0, $7.2, $5.9, $4.4 and $4.2. These rentals are payable principally under leases of steel processing plant and equipment which contain options to purchase and under leases of raw material properties.

8. Pensions

The unfunded liability for pensions in respect of past service is $172.8 million, as estimated by independent actuaries, of which $37.5 million is recorded in the statement of Financial Position. Pension costs charged to earnings were $39.1 million in 1983 ($41.4 million in 1982) and include those arising from current service, annual interest on past service liabilities and annual payments respecting plan amendments and actuarial revaluations. It is planned that future payments will discharge the total unfunded past service liability by 1997.

9. Capital Stock

(a) Preference shares

Authorized
7,509,000 Preference Shares, which rank prior to Class B Preference Shares and are issuable in series, of which 1,909,000 shares are reserved for conversion of series A shares into series B shares. These Preference Shares, originally assigned a par value of $25.00 each, are now deemed to be without par value under the new Business Corporations Act (Ontario) which came into force July, 1983.

12,000,000 Class B Preference Shares, issuable in series, by Articles of Amendment dated December 2, 1983.

Thousands of Dollars	1983	1983	1982
Issued at December 31	**Number of Shares**	**Stated Capital**	
Preference Shares			
8% cumulative redeemable tax deferred series A	**1,909,000**	**$ 47,725**	$ 50,530
Floating rate cumulative redeemable retractable series C	**2,000,000**	**50,000**	50,000
Floating rate cumulative redeemable retractable series D	**1,200,000**	**30,000**	30,000
Class B Preference Shares			
$2.00 cumulative redeemable convertible series 1 (3,800,000 issued for $25.00 cash in December, 1983)	**3,800,000**	**95,000**	–
		$222,725	$130,530

Series A shares are entitled to annual dividends of $2.00 per share payable quarterly; commencing with the quarterly payment December 1, 1988, dividends received on that and future quarterly dates will be taxable. They are redeemable at the option of the Corporation at $25.00 per share and a premium of $.75 which reduces annually and are exchangeable after September 1, 1988 on a share for share basis at the option of the holder into 9¾% cumulative redeemable Preference Shares series B on which dividends will be taxable. The Corporation is obligated to purchase in each twelve month period ending May 31 up to 120,000 series A or B shares to the extent that they are available at market prices not exceeding $25.00 per share. The Corporation purchased for cancellation 112,200 shares in 1983 at prices averaging $23.62 per share.

Series C shares are entitled to quarterly dividends at a rate equal to 1½% over one-half of the mean prime lending rate of five Canadian chartered banks. They are redeemable at the option of the Corporation at $25.00 per share. The shares have a retractable feature which requires the Corporation to invite tenders for the purchase of all such shares and to purchase at May 31, 1987 at $25.00 per share plus accrued and unpaid dividends all shares deposited with the Corporation pursuant to the invitation. Not less than 45 days prior to this date the Corporation is permitted to offer an increased dividend rate or to create additional retraction privileges for the benefit of shares not so purchased.

Series D shares are similar to series C except that they are entitled to quarterly dividends at a rate equal to 1⅜% over one-half of the mean prime lending rate of five Canadian chartered banks. The Corporation is similarly required to invite tenders for the purchase of these shares and to purchase shares so tendered at December 31, 1987.

Class B series 1 shares are entitled to annual dividends of $2.00 per share payable quarterly commencing March 1, 1984. Subject to certain conditions, they are redeemable after December 1, 1986 at the option of the Corporation at $25.00 per share and a premium of $1.50 which reduces annually. They are convertible at the option of the holder into .8097 of a common share at any time up to December 1, 1990. Commencing January 1, 1991 the Corporation is obligated to purchase annually 4% of the balance of Class B series 1 shares outstanding at December 2, 1990, to the extent that they are available at market prices not exceeding $25.00 per share.

(b) Common Shares

Authorized – 30,186,704 shares.

Issued – 14,168,013 shares at December 31, 1983 of which 138,660 shares, valued at $30.25 per share, were issued in November, 1983 as a stock dividend.

10. Dividends

Dividends were declared as follows:

Thousands of Dollars	1983	1982
Cash dividends		
Preference shares		
Series A		
$2.00 per share in 1983 and 1982	**$ 3,933**	$ 4,170
Series C		
$1.91 per share in 1983 and $2.63 in 1982	**3,824**	5,266
Series D		
$1.83 per share in 1983 and $2.52 in 1982	**2,196**	3,026
Common shares		
$1.00 per share in 1982	**49***	14,029
	$10,002	$26,491
Stock dividend		
Common shares		
One share for each 100 shares held equivalent to 30¼ cents per share	**4,195**	–
	$14,197	$26,491

*Cash in lieu of fractional shares arising from stock dividend.

11. Related Party Transactions

The Corporation is a subsidiary of Canadian Pacific Enterprises Limited which at December 31, 1983 held approximately 61.2% of the Corporation's outstanding common shares. Canadian Pacific Enterprises Limited is a subsidiary of Canadian Pacific Limited, a diversified corporation with its head office in Montreal, Quebec, and consequently the Corporation is related to the numerous companies in the Canadian Pacific group. The Corporation owns 34.6% of the common shares of the associated company, AMCA International Limited (AMCA), and a 30% interest in the Tilden Mine joint venture.

In the normal course of business, the Corporation sells its products at prevailing market prices and credit terms to Canadian Pacific Limited and AMCA International Limited and their subsidiary companies. Similarly, the Corporation regularly purchases transportation and other services, capital goods and iron ore pellets from the related parties. The Corporation has a revolving operating line of credit at competitive rates with Canadian Pacific Securities Limited, a wholly-owned subsidiary of Canadian Pacific Enterprises Limited, in the amount of $40 million under which there were no amounts outstanding at December 31, 1983. Transactions with related parties and balances at year end are as follows:

Thousands of Dollars	1983	1982
Transactions during year		
Sales of product	**$72,171**	$90,499
Purchases, principally transportation, capital goods and iron ore pellets	**80,529**	73,307
Interest income from short term investments	**8**	–
Interest expense on short term borrowings	**–**	660
Interest expense on long term debt	**3,661**	2,658
Balances at December 31		
Accounts receivable	**12,406**	8,810
Accounts payable	**624**	852
Short term promissory notes	**–**	30,000

12. **Business Segments Information**

LINES OF BUSINESS

The Corporation is a vertically integrated steel producer which obtains most of its iron ore and coal requirements from properties which it owns, leases or in which it has an interest in Canada and the United States. The Corporation's revenue is derived almost entirely from the sale of rolled steel products, coal, cokemaking by-products and raw materials that may be surplus to steelmaking requirements from time to time. Virtually all of the Corporation's assets, excepting for the investment in the associated company, are related to integrated steelmaking activities.

OPERATIONS BY GEOGRAPHIC AREA

Thousands of Dollars	1983	1982	1983	1982	1983	1982
	Consolidated		**Canada**		**United States**	
Sales						
External	**$ 859,541**	$ 874,164	**$ 820,368**	$ 746,359	**$ 39,173**	$ 127,805
Intra-enterprise sales between geographic areas	**139,655**	241,614	**13,378**	120,174	**126,277**	121,440
	999,196	1,115,778	**833,746**	866,533	**165,450**	249,245
Eliminations	**(139,655)**	(241,614)	**(13,378)**	(120,174)	**(126,277)**	(121,440)
Total	**$ 859,541**	$ 874,164	**$ 820,368**	$ 746,359	**$ 39,173**	$ 127,805
Earnings (loss)						
From operations	**$ (132,069)**	$ (76,832)	**$ (122,941)**	$ (62,678)	**$ (9,128)**	$ (14,154)
Eliminations	**8,151**	(7,069)	**2,295**	527	**5,856**	(7,596)
	(123,918)	(83,901)	**$ (120,646)**	$ (62,151)	**$ (3,272)**	$ (21,750)
Other income	**1,258**	2,066				
Interest expense	**(63,703)**	(42,002)				
Income taxes	**79,400**	57,700				
Equity in earnings (loss) of associated company	**(19,683)**	25,716				
Net earnings (loss)	**$ (126,646)**	$ (40,421)				
Assets at December 31						
Identifiable	**$1,508,848**	$1,535,518	**$1,376,943**	$1,391,055	**$ 131,905**	$ 144,463
Investment in associated company	**$ 159,369**	193,221				
	$1,668,217	$1,728,739				

Intra-enterprise sales between geographic areas are at market prices for similar products. Canadian operations include export sales of approximately $184 million in 1983 ($286 million in 1982).

Ten Year Summary of Operating and Financial Data

Tons in thousands and dollars in millions excepting per share data		1983	1982	1981
Operations				
Production – Iron Ore (1)	G.T.	**2,424**	1,983	3,643
– Coal (2)	N.T.	**2,490**	2,488	2,732
– Coke	N.T.	**1,042**	1,009	1,411
– Iron	N.T.	**2,155**	1,809	2,907
– Raw Steel	N.T.	**2,306**	1,899	3,017
Shipments – Steel Products	N.T.	**1,757**	1,472	2,519
Earnings and Related Statistics				
Sales	$	**859.5**	874.2	1,426.4
Earnings Before Income Taxes and Equity Earnings	$	**(186.4)**	(123.8)	225.8
Income Taxes	$	**(79.4)**	(57.7)	87.6
Equity in Earnings of Associated Company	$	**(19.7)**	25.7	26.8
Net Earnings	$	**(126.6)**	(40.4)	165.0
Applicable to Preference Shares	$	**10.1**	12.3	12.8
Applicable to Common Shares	$	**(136.8)**	(52.7)	152.2
Dividends Paid in Cash				
On Preference Shares, and Related Taxes	$	**10.0**	12.5	12.6
On Common Shares	$		14.0	15.4
Earnings Retained in Business	$	**(140.8)**	(66.9)	137.0
Cash Provided From Operations	$	**(56.7)**	59.6	207.2
Cash Flow From Earnings	$	**(92.3)**	(33.6)	269.4
Per Common Share – Net Earnings (3)(4)	$	**(9.65)**	(3.72)	10.85
– Cash Flow From Earnings (3)(4)	$	**(7.22)**	(3.25)	18.29
– Dividends Paid in Cash	$		1.00	1.10
Net Earnings as % of				
– Sales	%	**(14.7)**	(4.6)	11.6
– Average Common Shareholders' Equity (5)	%	**(18.4)**	(6.2)	18.8
– Average Total Investment (6)	%	**(5.7)**	(0.9)	13.6
Cost of Products Sold as % of Sales	%	**105.4**	100.5	78.2
Depreciation and Amortization	$	**55.4**	53.5	49.7
Capital Expenditures				
Manufacturing Facilities	$	**25.1**	175.5	246.6
Mining Properties	$	**6.5**	9.9	18.1
Total	$	**31.6**	185.4	264.7
Long Term Debt				
Borrowings – Debentures	$		172.4	
– Other	$	**55.7**	34.3	
– Total	$	**55.7**	206.7	
Repayments	$	**7.9**		3.2
Interest and Expense	$	**63.4**	40.2	29.8
Financial Position at Year End				
Current Assets	$	**514.6**	492.1	608.6
Current Liabilities	$	**194.7**	173.9	235.8
Working Capital	$	**319.9**	318.2	372.8
Operating Working Capital (7)	$	**321.6**	309.3	377.0
Long Term Investments	$	**205.7**	242.2	227.3
Net Fixed Assets	$	**944.7**	990.8	879.5
Total Assets	$	**1,668.2**	1,728.7	1,718.2
Total Investment (8)	$	**1,473.5**	1,554.8	1,482.4
Long Term Debt (9)	$	**533.8**	489.6	290.6
Preference Shares	$	**222.7**	130.5	133.5
Common Shareholders' Equity	$	**672.3**	811.0	878.0
Number of Common Shares Issued (000)	No.	**14,168**	14,168	14,029
Common Shareholders' Equity Per Share (10)	$	**47.39**	57.19	62.52
Number of Common Shareholders	No.	**5,701**	6,489	7,142

(1) Includes mines operated by the Corporation and its share of production from joint ventures.

(2) Metallurgical and steam coal.

(3) After provision for dividends on preference shares.

(4) Based on weighted average number of common shares outstanding during the year.

(5) Net earnings are after deduction of amount applicable to preference shares.

(6) Net earnings are before deduction of interest on long term debt net of income taxes, and total investment is before deduction of current portion of long term debt.

1980	1979	1978	1977	1976	1975	1974
3,732	4,125	4,109	3,839	4,089	3,478	3,165
2,907	2,868	2,069	1,929	2,235	2,425	1,984
1,470	1,546	1,424	1,371	1,539	1,294	1,376
3,039	3,374	3,148	2,848	2,806	2,624	2,774
3,179	3,528	3,317	2,974	2,888	2,748	2,763
2,415	2,597	2,456	2,201	2,036	1,968	2,018
,149.1	1,081.2	864.2	687.8	584.8	541.5	474.1
121.2	120.2	57.7	5.5	(14.3)	16.3	57.9
38.8	35.3	10.7	(15.8)	(25.6)	(10.6)	13.5
26.8	27.0	22.6	16.0	12.5	13.1	8.6
109.2	111.9	77.1(11)	37.3	23.8	43.5(12)	53.0
11.6	10.7	9.5	6.9	4.0		
97.6	101.2	67.6(11)	30.4	19.8	43.5(12)	53.0
11.6	10.6	9.4	6.8	3.5		
12.3	8.2		2.3	12.9	16.3	15.8
85.3	93.1	67.7	28.2	7.4	27.2	37.2
155.0	154.9	93.0	34.7	6.7	10.2	91.4
181.4	180.7	109.5	41.2	19.2	49.6	89.4
8.21	8.65	5.79(11)	2.60	1.70	3.72(12)	4.54
14.29	14.54	8.57	2.94	1.30	4.25	7.66
1.00	.70		.20	1.10	1.40	1.35
9.5	10.4	8.9	5.4	4.1	8.0	11.2
14.8	19.0	15.0	7.5	5.1	11.7	15.7
11.0	13.2	10.5	6.2	4.9	8.1	11.0
81.2	80.9	84.1	88.2	89.8	85.1	77.8
47.3	39.9	35.7	33.6	33.0	29.3	26.1
82.4	65.2	24.2	15.1	33.5	84.1	113.0
24.8	24.1	15.0	14.5	17.0	18.6	18.6
107.2	89.3	39.2	29.6	50.5	102.7	131.6
	106.9				65.0	50.0
35.0	.3	3.5	3.5	10.7	31.4	15.5
35.0	107.2	3.5	3.5	10.7	96.4	65.5
39.9	62.7	17.1	5.9	3.9	1.9	1.5
27.5	27.6	24.8	22.5	23.1	19.2	10.6
562.1	435.5	362.4	298.4	264.5	220.0	166.1
157.2	150.9	155.5	145.2	175.2	141.7	109.2
405.0	284.6	206.9	153.2	89.3	78.3	56.9
319.8	279.8	238.5	201.4	172.0	136.6	78.3
212.1	197.2	134.2	110.1	92.7	82.6	68.1
644.8	587.0	549.8	557.9	560.4	539.7	468.4
,422.1	1,224.1	1,050.8	973.1	924.4	849.4	706.7
,264.9	1,073.2	895.3	827.9	749.2	707.7	597.5
293.7	298.6	248.7	251.3	264.2	260.2	167.4
136.5	139.8	140.0	140.0	60.0		
741.0	578.8	485.4	417.7	389.7	384.0	356.8
14,029	11,691	11,672	11,672	11,672	11,670	11,670
52.77	49.44	41.53	35.73	33.35	32.90	30.58
7,812	8,748	9,369	10,393	10,542	11,536	12,220

(7) Includes accounts receivable, inventories and prepaid expenses, less accounts payable and accrued liabilities, and taxes payable.

(8) Total assets less current liabilities.

(9) Excludes long term debt due within one year.

(10) Based on common shares issued as at December 31.

(11) Includes an extraordinary credit of $7.5 million amounting to 64¢ per common share.

(12) Includes an extraordinary gain of $3.5 million amounting to 30¢ per common share.

Directors

Russell S. Allison
Montreal, Quebec
Executive Vice President
CP Rail

***Robert W. Campbell**
Calgary, Alberta
Vice-Chairman and
Chief Executive Officer
Canadian Pacific
Enterprises Limited

Stuart E. Eagles
Calgary, Alberta
President, Canadian
Pacific Enterprises Limited

***John Macnamara**
Sault Ste. Marie, Ontario
Chairman and Chief
Executive Officer
The Algoma Steel
Corporation, Limited

***¶W. Earle McLaughlin**
Montreal, Quebec
Former Chairman
The Royal Bank of Canada

†Arthur H. Mingay
Toronto, Ontario
Chairman, Canada Trust

***†Paul A. Nepveu**
Montreal, Quebec
Chairman, CIP Inc.

***Peter M. Nixon**
Sault Ste. Marie, Ontario
President and Chief
Operating Officer
The Algoma Steel
Corporation, Limited

¶Leonard N. Savoie
Sault Ste. Marie, Ontario
President and Chief
Executive Officer
Algoma Central Railway

†Robert J. Theis
Syracuse, New York
Chairman, Canadian
Pacific Enterprises
(U.S.) Inc.

***¶Walter G. Ward**
Toronto, Ontario
Former Chairman
The Algoma Steel
Corporation, Limited

Adam H. Zimmerman
Toronto, Ontario
President and Chief
Operating Officer
Noranda Mines Limited

*Member of Executive Committee
†Member of Compensation Committee
¶Member of Audit Committee

Principal Officers

John Macnamara
Chairman and Chief
Executive Officer

Peter M. Nixon
President and Chief
Operating Officer

Robert N. Robertson
Senior Vice President –
Commercial

Ross H. Cutmore
Vice President –
Finance and Accounting

Samuel H. Ellens
Vice President –
Administration

R. Gordon Paterson
Vice President –
Engineering

Gary S. Lucenti
Vice President –
Operations

Henry C. Winters
Vice President –
Sales

James T. Melville
Secretary

J. Kenneth Morano
Treasurer

William J. Reed
Controller – Steel and
Iron Ore Operations

Corporate Information

Manufacturing and Mining Facilities

Canada
Sault Ste. Marie, Ontario

The Algoma Steel Corporation, Limited
- Steelworks Division
- Tube Division
- Marine Division
- Welded Beam Division

Wawa, Ontario
- Algoma Ore Division

United States
West Virginia

Cannelton Industries Inc.
- Kanawha Division, Cannelton
- Pocahontas Division, Superior
- Indian Creek Division, Peytona

Maple Meadow Mining Company, Fairdale

Michigan

Cannelton Iron Ore Company
- Tilden Mine Joint Venture, Ishpeming

Algoma Tube Corporation, Dafter

Incorporation
Under the laws of the Province of Ontario

Share Transfer Agents and Registrars
Montreal Trust Company, Halifax, Saint John, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver

The Royal Bank of Canada Trust Company, New York

Shares Listed
Montreal, Toronto and Vancouver Stock Exchanges

Trustee for Debentures
Montreal Trust Company, Toronto, Ontario

Registrar for Debentures
Montreal Trust Company, Halifax, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver

Valuation Day Values
(for Canadian Income Tax Purposes)

Series C Debenture	$ 94.00
Series D Debenture	$103.50
Common Share	$ 13.38

Products and Sales Office Locations

Products

Seamless Tubular Products
- Casing
- Line Pipe
- Standard Pipe
- Mechanical Tubing
- Couplings and Coupling Stock

Plate
- Sheared and Gas Cut
- Normalized
- Quenched and Tempered
- Floor

Hot and Cold Rolled Sheet
- Coils and Cut to Length

Cold Rolled Sheet for Motor Laminations
Wide Flange Shapes
Welded Wide Flange Shapes
Welded Special Shapes
Bearing Pile Shapes
Standard Angles, Channels and Beams
Heavy Rails
Tie Plates
Ingots, Blooms, Billets and Slabs
Sinter
Coal
Coke
Coal Tar Chemicals

Sales Offices
Sault Ste. Marie, Ontario
Moncton, New Brunswick
Montreal, Quebec
Toronto, Ontario*
Hamilton, Ontario*
Windsor, Ontario
Calgary, Alberta
Vancouver, British Columbia
Houston, Texas**

*To be consolidated in Mississauga, Ontario effective April, 1984.
**Algoma Tube Corporation

Printed in Canada

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